Supreme Court of the United States

OCTOBER TERM, 1944

NO. 71.

ROSCOE A. COFFMAN, Appellant,

v.

BREEZE CORPORATIONS, INC., and THE UNITED STATES OF AMERICA.

Appeal from the District Court of the United States for the District of New Jersey.

NO. 485.

ROSCOE A. COFFMAN, Appellant,

v.

FEDERAL LABORATORIES, INC., and THE UNITED STATES OF AMERICA.

Appeal from the District Court of the United States for the Western District of Pennsylvania.

BRIEF FOR APPELLANT.

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Supreme Court of the United States

OCTOBER TERM, 1944

ROSCOE A. COFFMAN, Appellant, v. BREEZE CORPORATIONS, INC., and THE UNITED STATES OF AMERICA.	No. 71
ROSCOE A. COFFMAN, Appellant, v. FEDERAL LABORATORIES, INC., and THE UNITED STATES OF AMERICA.	No. 485

BRIEF FOR APPELLANT.

I.

Opinions Below.

The opinion of the District Court of the United States for the District of New Jersey in case No. 71 was rendered April 6, 1944, and is reported in 55 Fed. Supp. 501.

In case No. 485 the United States District Court for the Western District of Pennsylvania filed no opinion, but on August 1, 1944, entered an order, which is unreported (No. 485, R. 64).

II.

Jurisdiction.

(a) The statutory provision believed to sustain the jurisdiction of this Court upon appeal to review the judgments in question is the Act of August 24, 1937, c. 754, § 3, 50 Stat. 752, 28 USC § 380a. The statutory provision sustaining the jurisdiction of the District Court in each case is the Judicial Code, § 24 (par. 1), 28 USC § 41, subd. (1), since the matter in controversy in each case exceeds, exclusive of interest and costs, the sum or value of $3,000, and is between citizens of different States.

(b) The statute of the United States, the validity of which is involved, is the Act of October 31, 1942, c. 634, 56 Stat. 1013, 35 USC §§ 89-96. This statute is printed in Appendix A to this brief (p. 74).

(c) The date of the judgment of the District Court for the District of New Jersey sought to be reviewed was April 6, 1944, and the date upon which the application for appeal was presented was April 6, 1944. The date of the judgment of the United States District Court for the Western District of Pennsylvania sought to be reviewed was August 1, 1944, and the date upon which the application for appeal was presented was August 29, 1944.

III.

Statement of the Case.

These two cases involve precisely the same points of law arising under the contract, an exclusive license agreement dated December 8, 1932, between appellant, an inventor, and Federal Laboratories, Inc., a Delaware

corporation having its principal place of business in Pittsburgh, Pa., granting to it and alternately to its successor in business (Breeze Corporations, Inc., as appellant asserts), a non-assignable and exclusive license during the life of plaintiff's patents to make, use and sell Coffman Starters for internal combustion motors, and shells to start same, reserving to appellant royalties of six per cent of the net selling price of starters, parts and shells (No. 71, R. 11; No. 485, R. 17).

After said exclusive license was granted, defendant Breeze Corporations, Inc., bought all the common capital stock and a majority of the preferred stock of Federal Laboratories, Inc., and took over the manufacture, use and sale of the Coffman Starters (No. 71, R. 2, par. 5; No. 485, R. 2, par. 7). Federal Laboratories, Inc., manufactures and sells the shells which actuate the starters. The appellant avers that the patented devices are used in a very large percentage of aircraft being used by the United States and its Allies in the present war (No. 71, R. 1, par. 2). The starters are set in motion by the explosion of shells, the motor being started not by the explosion but by the control of the gases generated by the burning of the charge contained in the patented shells, controlled in the manner and method described in the patents (No. 71, R. 1, par. 2). The complaints aver that after Breeze Corporations, Inc., took over Federal Laboratories, Inc., as aforesaid, both defendants commenced arbitrarily deducting from remittances of royalties to plaintiff twenty-five per cent thereof on each accounting period (No. 71, R. 2, par. 5; No. 485, R. 5, par. 19).

Appellant brought suit in the United States District Court, District of New Jersey, against Breeze Corporations, Inc., and Federal Laboratories, Inc., in February,

1941, praying for an accounting not only for royalties due under the agreement but also for certain sums claimed to be due because of certain frauds in connection with the sale of rights under plaintiff's English patents (No. 71, R. 2, 3, par. 6), which suit was pending undetermined (see Pleadings, No. 71, R. 20-42) when the matters hereinafter mentioned occurred. That suit has not yet been reached for trial.

Under dates of February 24 and March 3, 1943, the Navy Department and War Department respectively gave notice to Breeze Corporations, Inc., Federal Laboratories, Inc., and plaintiff, pursuant to the Act of October 31, 1942, P. L. 768, 77th Congress (U. S. C. Title 35, §§ 89-96), that the royalties under plaintiff's agreement of December 8, 1932, were believed to be unreasonable or excessive; notifying the licensees, Federal Laboratories, Inc., and Breeze Corporations, Inc., not to pay to plaintiff nor charge directly or indirectly to the United States any royalties until an order should be made as provided in said Act, fixing the royalties or amounts of royalties, if any, to be paid (No. 71, R. 59, 60).

On December 18, 1943, and December 23, 1943, Royalty Adjustment Orders W-9 and N-7 respectively were issued and served by mail on plaintiff (Complaint, No. 71, R. 3, par. 8; R. 5, par. 10; Complaint, No. 485, R. 8, par. 26). The Royalty Adjustment Orders are identical in their provisions (No. 71, R. 42, 46; No. 485, R. 39, 43). They recite the notices given as above mentioned; that appellant with his accountant presented in person and through his accountant such facts and circumstances as he desired having a bearing upon the rates or amounts of royalties to be determined, and provided:

"Now, therefore, pursuant to authority of and

for the purposes set forth in said Act, and upon taking into account the facts and circumstances presented as aforesaid, the conditions of wartime production, and such other facts and circumstances as ought properly to be considered in determining a fair and just rate or amount of royalties in the premises, it is hereby ordered as follows, viz:

(1) Fair and just rates and amounts of royalties for the manufacture, use, sale or other disposition of said alleged inventions are hereby determined, fixed and specified to be as follows:

(a) Upon each starter sold to or for either the War Department or the Navy Department, the sum of Eight ($8) Dollars each, and

(b) upon parts and cartridges sold to or for either the War Department or the Navy Department, no royalties:

but not to exceed the sum of Fifty Thousand ($50,000) Dollars to be paid to Licensor in each calendar year commencing January 1, 1943, in respect of starters sold to or for the War Department and the Navy Department, added together.

(2) Until further Order, licensee is hereby *authorized* to pay to Licensor, on account of any manufacture, use, sale, or other disposition of said alleged inventions for the War Department heretofore occurred, or hereafter occurring while Sections 1 and 2 of said Act remain in force, royalties at the rate and not to exceed the amount determined, fixed and specified in paragraph (1) hereof, and no more, under

(a) the above-mentioned license agreement dated December 8, 1932, and

(b) any license or arrangement between Licensor and Licensee entered into on or after the effective date of said notice and during the time that Sections 1 and 2 of said Act remain in force which in any respect continues, supplements, modifies or supersedes the license referred to in subparagraph (a) hereof or the present arrangement under which said royalties are paid.

(3) *Licensee is hereby directed to pay over to the Treasurer of the United States,* through Commanding General, Army Air Forces Material Command, attention, Royalty Adjustment Board, Wright Field, Dayton, Ohio, the balance in excess of the payments authorized by paragraph (2) hereof, of *all royalties specified in the licenses* or arrangements referred to in paragraph (2) hereof *which were due to Licensor and were unpaid on the effective date of said notice, or since said date have or may hereafter become due to Licensor,* on account of any manufacture, use, sale or other disposition of said inventions for the War Department or the Navy Department heretofore occurred or hereafter occurring while Sections 1 and 2 of said Act remain in force; *and demand is hereby made for payment forthwith of so much of said balance as is now due to Licensor."* (Italics ours) (No. 71, R. 42, 46; No. 485, R. 39, 43).

CASE NO. 71.

Plaintiff promptly filed his verified complaint (No. 71, R. 1) in the District Court for the District of New Jersey, where defendant Breeze Corporations, Inc., has its plant, and prayed that Breeze Corporations, Inc., and

Federal Laboratories, Inc., be restrained from paying to the Treasurer of the United States any of plaintiff's accrued royalties and any royalties that may hereafter become due to the plaintiff under his contract of December 8, 1932, pursuant to the command of paragraph 3 of said orders. Plaintiff alleges that the Royalty Adjustment Act and the orders made thereunder operated to deny him his right of an accounting in an action commenced in the same court in February, 1941, and still pending (No. 71, R. 3, 7). He prayed that the Act of Congress aforesaid and the Royalty Adjustment Orders might be adjudged to be null and void as violative of the Fifth Amendment, and that a special three-judge court might be summoned to hear the case; and since plaintiff would suffer irreparable harm and damage, that a temporary injunction might issue. There was annexed to the complaint an affidavit of John A. Aporta, an accountant appointed by the Court to examine the books of the defendant Breeze Corporations, Inc., in the action started in 1941, who said: "I found from my examination of Breeze Corporations, Inc's. books and records that that company in 1943 sold Coffman Starters, engine cartridges and parts from January 1 to November 30 for a total of $3,273,076.53" (No. 71, R. 10). The royalties at six per cent on that amount would equal over $196,000. Mr. Aporta said that the books of Federal Laboratories, Inc., showed that plaintiff was paid his royalties quarter-annually until September, 1937, and that thereafter twenty-five per cent was deducted arbitrarily. Payment of all royalties to plaintiff under his contract terminated with the service by the War and Navy Departments of the notices of February 24 and March 3, respectively, above mentioned.

Pursuant to the requirements of the Act of Congress of August 24, 1937, U. S. C. Title 28, § 380(a), due notice was given to the Attorney General and service of summons as well as a temporary injunction was made on defendant Breeze Corporations, Inc. (No. 71, R. 49). Service could not be made on defendant Federal Laboratories, Inc., in New Jersey and it did not appear in the action.

The Attorney General appeared and filed his response to the certification of the Court, and filed a motion for leave to intervene in the proceedings as provided by the Act of August 24, 1937 (No. 71, R. 50). The order allowing intervention provided "that the United States of America is deemed to be a party in the above entitled proceeding," etc. (No. 71, R. 52).

On February 5, 1944, when the cause came on for argument before the special three-judge court, the Attorney General filed a motion to dismiss the complaint on a number of different grounds, including (1) that the court lacks jurisdiction over the subject matter because the complaint sets out no case or controversy; (2) because plaintiff has no standing to maintain this proceeding; (3) because the complaint sets forth no cause of action warranting equitable relief; (4) because plaintiff has no standing to challenge the validity of the Royalty Adjustment Act or the Orders until Federal Laboratories, Inc., is subject to the jurisdiction of the court by service or appearance; (5) because the complaint fails to state a cause of action, in that the Royalty Adjustment Act is constitutional and valid and the Royalty Adjustment Orders are proper (No. 71, R. 57).

Defendant Breeze Corporations, Inc., filed an answer admitting that it was the owner of all the common

capital stock of Federal Laboratories, Inc. (No. 71, R. 54, par. 3), admitting that it began the manufacture and sale of starters for Federal Laboratories, Inc., pursuant to agreements between Breeze Corporations, Inc., and Federal Laboratories, Inc., dated April 28, 1937, and extended by agreement of April 28, 1939 (No. 71, R. 54, par. 4). It denied it was indebted to the plaintiff in any sum (No. 71, R. 56, par. 9).

Decision Below in Case No. 71.

The special court on April 6, 1944, after hearing argument on behalf of the plaintiff and the Assistant Attorney General, entered a judgment dismissing plaintiff's complaint (No. 71, R. 70). The opinion of the court was written by District Judge Smith (R. 61). The court below held that there was no "case" or "controversy" between the immediate parties within the meaning of Art. III, Sec. 2, of the Constitution; that the United States was a necessary and indispensable party whose absence was sufficient to defeat the equity jurisdiction of the court; and that the complaint must be otherwise dismissed for want of equity. Plaintiff immediately appealed to this Court, as permitted by the Act of August 24, 1937, U. S. C. Title 28, § 380(a).

Case No. 485.

On June 14, 1944, plaintiff filed his complaint in the United States District Court for the Western District of Pennsylvania against Federal Laboratories, Inc., a corporation of the State of Delaware, and Breeze Corporations, Inc., a corporation of the State of New Jersey, containing three causes of action (No. 485, R. 1). This action seemed necessary because of a letter written May 3, 1944, by Lt. Col. J. C. Burton, J.A.G.D.,

Chairman of the Royalty Adjustment Board, addressed to Breeze Corporations, Inc., demanding payment of the amounts due the United States pursuant to Royalty Adjustment Orders N-7 and W-9, in view of the denial of a stay by the District Court for the District of New Jersey, and the denial of a stay *pendente lite* by this Court pending the appeal (Ex. "F" annexed to the Complaint, No. 485, R. 46).

The complaint alleges that at the time of the making of the license agreement plaintiff was the inventor and sole owner of the Letters Patent here involved; that when with his accountant he appeared before the Royalty Adjustment Board in Washington he insisted that because of the years of study, research and work that he had devoted to his discoveries leading to the grant of his patents, the risk to his life that he ran in perfecting the powder and experimenting with powder and shells, and the money he spent for traveling and other expenses in connection with his experiments, his patents, and the promotion thereof, the royalties reserved in his agreement were fair and just; and that it would not be fair and just or lawful for the Adjustment Board to attempt to change the same (No. 485, R. 1, par. 25).

The first cause of action alleged fraudulent representations made to plaintiff as to the amounts which the defendants were to receive from certain British companies on the sale of rights to manufacture and sell Coffman Starters, etc., in England (No. 485, R. 1). Appellant prayed for an accounting. In the second cause of action appellant prayed that the defendants account for the starters, parts therefor and shells made by the defendants, and that they be decreed to pay him for all royalties earned pursuant to the contract of

December 8, 1932 (No. 485, R. 5). Appellant alleged the commencement and disposition of the action for an injunction in the United States District Court for the District of New Jersey (Case No. 71 in this Court); he alleged the making and service of the Royalty Adjustment Orders above mentioned; he charged that said orders and the Royalty Adjustment Act under which they were made were violative of plaintiff's constitutional rights, and he prayed that the court enjoin and restrain the defendants from complying with the terms of said orders and paying over his moneys (in excess of $50,000 in any one year) to the Treasurer of the United States, as said orders command (No. 485, R. 6-11). Plaintiff's third cause of action was in the nature of an action at law (No. 485, R. 11). He alleged the amount of royalties that had been determined to be due and owing plaintiff by his accountants on an examination of the books and records of the two defendants, from January 1, 1937, to December 31, 1943, inclusive, $371,625.95, together with interest. A schedule annexed to the complaint prepared by the accountants showed that there had been earned in the year 1943 on royalties from Breeze Corporations, Inc.'s manufacture of starters and parts $216,173.73, and from Federal Laboratories, Inc., for cartridges for the year 1943 the sum of $49,244.95 (No. 485, R. 46 A).

On the filing of this verified complaint and plaintiff's bond, Judge Gibson made an order (No. 485, R. 47), dated June 14, 1944, temporarily restraining the payment by Federal Laboratories, Inc., to the Treasurer of the United States of all royalties due and payable to the appellant in excess of $50,000 in compliance with Royalty Adjustment Orders W-9 and N-7. This order and summons and complaint were duly served on

defendant Federal Laboratories, Inc. Process in this action could not be served on defendant Breeze Corporations, Inc., which is a New Jersey corporation.

Pursuant to the requirements of the Act of Congress of August 24, 1937, U. S. C. Title 28, § 380(a), due notice was given to the Attorney General, and a three-judge court was duly summoned.

The United States, by its Assistant Attorney General Francis M. Shea, duly filed a response to the certification of the court of June 14, 1944, and moved for leave to intervene and become a party to said action in order to support the constitutionality and validity of the Royalty Adjustment Act and of Royalty Adjustment Orders Nos. W-9 and N-7 (No. 485, R. 48). At the same time the United States by its Assistant Attorney General filed a motion to vacate the temporary restraining order of June 14, 1944, and to dismiss the complaint in part (No. 485, R. 50), and his grounds for such motion alleged (1) that the judgment of the specially constituted three-judge court in the District of New Jersey (Case No. 71 herein) was *res judicata* as to that portion of the present action which seeks injunctive relief against compliance by defendants with the aforesaid Royalty Adjustment Orders; (2) the granting of an injunction restraining compliance by defendants with the Royalty Adjustment Orders would be inconsistent with the order of the Supreme Court of the United States of May 29, 1944, and the order of the three-judge court in New Jersey of May 24, 1944, denying plaintiff a temporary injunction against such compliance pending disposition of the appeal to the Supreme Court in Case No. 71 herein; (3) all the issues here raised by the prayer for injunctive relief are now pending decision in the Supreme Court in Case No. 71, October Term, 1944,

and in the Circuit Court of Appeals for the Third Circuit in *Timken-Detroit Axle Co. v. Alma Motors Co.*, No. 8300.

The District Court made an order dated July 18, 1944, granting the motion of the United States for leave to intervene pursuant to the Act of August 24, 1937, and Rule 24 of the Federal Rules of Civil Procedure (No. 485, R. 52).

The defendant Federal Laboratories, Inc., filed an answer in which it admitted that there was a balance due plaintiff at December 31, 1943, of $180,230.44 (No. 485, R. 54). In paragraph 35 of said answer defendant Federal Laboratories, Inc., said:

> "35. Defendant denies that judgment should be granted against it in the sum of $371,625.96, or in the sum of $180,230.44, or in any similar amount, for the reason that regardless of any amount herein admitted to be due under the terms of the original agreement of December 8, 1932, Royalty Adjustment Orders Nos. W-9 and N-7 which were served upon plaintiff in December of 1943, prohibit payment of all claims of the plaintiff for royalties, except the amounts provided in said Orders, which are the amounts and the only amounts admitted to be now due and owing by this defendant."

The case was argued before the said three-judge court on July 18, 1944. The court continued the temporary restraining order pending the disposition of the motion of the United States as intervenor to vacate the restraining order and to dismiss the complaint in part, and until the further order of the court (No. 485, R. 53).

DECISION BELOW IN CASE No. 485.

On August 1, 1944, the special three-judge court in the Western District of Pennsylvania signed the order complained of dissolving and terminating the temporary restraining order issued June 14, 1944, denying plaintiff's motion for an injunction and dismissing paragraphs 24, 25, 26, 27, 28, 29, 30 and 32 of the complaint and sub-paragraphs (3) and (4) of plaintiff's prayers for relief (No. 485, R. 64). The order recites that the court was of opinion that the decision of the United States District Court for the District of New Jersey aforementioned correctly indicates the appropriate disposition to be made of the motions pending before the court.

On August 29, 1944, and within due time, plaintiff's appeal to this court from the order of August 1, 1944, denying plaintiff an injunction was duly allowed by Judge Gibson (No. 485, R. 65).

IV.

Assignment of Errors.

Appellant specifies the following errors in case No. 71 as those which are intended to be urged:

1. The District Court of the United States for the District of New Jersey erred in entering judgment dismissing plaintiff's complaint.

2. The District Court erred in holding that there was no case or controversy between the parties hereto within the meaning of Article III, Sec. 2, of the Constitution of the United States.

3. The District Court erred in holding that the pleadings present nothing more than abstract questions and that the judicial power does not extend to the deter-

mination of the questions raised by the complaint in this cause.

4. The District Court erred in not holding that there was a real and substantial controversy presented by plaintiff's complaint, the allegations of which were admitted by the motion to dismiss, admitting of specific relief to the protection of plaintiff's rights to his royalties which were in the hands of the defendant Breeze Corporations, Inc., and preventing them being paid over to the Treasurer of the United States pursuant to the commands of Royalty Adjustment Orders Nos. W-9 and N-7.

Appellant specifies the following errors in case No. 485 as those which are intended to be urged:

1. The District Court of the United States for the Western District of Pennsylvania erred in denying appellant an injunction restraining defendant Federal Laboratories, Inc., from in any way complying with the terms of Royalty Adjustment Orders designated as Nos. W-9 and N-7, and especially from paying over to the Treasurer of the United States any royalties that were due plaintiff on the date said orders were issued (in excess of $50,000.00 per annum), and further from paying to the Treasurer of the United States such royalties as have accrued and are continuing to accrue to plaintiff from and after the date of said orders (in excess of $50,000.00 per annum).

2. The District Court erred in holding that there was not raised a presently justiciable question as to the constitutionality of the Royalty Adjustment Act of October 31, 1942 (35 U.S.C.A. §§ 89-96) or the validity of the Royalty Adjustment Orders (W-9 and N-7) issued in pursuance of said Act.

3. The District Court erred in granting the motion of the United States as intervenor and in striking out paragraphs 24, 25, 26, 27, 28, 29, 30 and 32 and subparagraphs (3) and (4) of plaintiff's prayers for relief.

4. The District Court erred in failing to hold that the Royalty Adjustment Act aforesaid and Royalty Adjustment Orders Nos. W-9 and N-7 violate the Fifth Amendment to the Constitution of the United States.

V.

Summary of Argument.

1. Appellant contends that the actions at bar are cases and controversies within the meaning of Art. III, Sec. 2, of the Constitution and are within the equitable jurisdiction of the courts of the United States, because

(a) The actions at bar between the appellant and defendants Breeze Corporations, Inc., and Federal Laboratories, Inc., were cases or controversies within the terms of the judiciary article of the Constitution;

(b) After the intervention of the United States, a controversy existed between it and the appellant as to the constitutionality of the Royalty Adjustment Act;

(c) The United States, having under the Act of August 24, 1937, c. 754, Section 1; 50 Stat. 751, 28 USCA § 401, become a party only "for presentation of evidence * * * and argument upon the question of the constitutionality" of the Royalty Adjustment Act, has no right to point out a want of equity jurisdiction in the court; and the defendants, not having raised the objection of want of equity jurisdiction, must be taken to have waived it;

(d) The cases are within the equity jurisdiction because the original action to which the case at No.

71 is ancillary, and the action in case No. 485, are both in the nature of bills for accounting by reason of complicated accounts; and the courts below, having properly acquired jurisdiction of the causes, should have disposed of the entire controversy and its incidents, including the question as to the constitutionality of the Royalty Adjustment Act;

(e) The importance of expediting the decision of the question as to the constitutionality of an act of Congress affecting the public interest is recognized in Section 3 of the Act of August 24, 1937, *supra;* and all the parties in interest in the controversy being now before this Court, it should determine the question as to the constitutionality of the Royalty Adjustment Act.

2. Appellant contends that the Act of October 31, 1942, c. 634, 56 Stat. 1013, 35 USCA §§ 89-96, and orders Nos. W-9 and N-7 made thereunder contravene the Fifth Amendment to the Constitution because

(a) They deprive the appellant of property without due process of law in that they take a right to receive money not for public use but for revenue, and constitute an arbitrary and capricious tax on appellant; and

(b) They take private property of appellant, to-wit, a contract right to receive money, without just compensation, not allowing him to recover the equivalent of the contract right so taken.

VI. Argument.

Point I.

The Actions at Bar are Cases and Controversies Within the Meaning of Art. III, Sec. 2, of the Constitution and are Within the Equitable Jurisdiction of the Courts of the United States.

The jurisdiction of the District Courts depended upon diversity of citizenship of the parties.

The appellant, in 1941, commenced an action in the District Court for New Jersey against Breeze Corporations, Inc., and Federal Laboratories, Inc. (hereinafter referred to as "Federal" and "Breeze," respectively), for an accounting for royalties due the plaintiff under his contract of December 8, 1932 (No. 71, R. 2, 3, 20, 24). Breeze joined issue and the case was awaiting trial. The court made an order authorizing plaintiff's accountants to examine the books and records of the defendant (R. 3).

When the Royalty Adjustment orders were made and served, plaintiff promptly filed his action in case No. 71 for an injunction to restrain Breeze and Federal from complying with said orders and paying the moneys due plaintiff in excess of $50,000 per annum to the Treasurer of the United States, on the ground that said Royalty Adjustment orders and the statute under which they were made were violative of plaintiff's constitutional rights. The action was filed, and process and a temporary injunction were served, before any moneys due plaintiff were paid to the Treasurer of the United States (R. 53, 56). This action was in aid of the action that had been pending in the same court since 1941 and

is a case or controversy within the meaning of the Constitution and the decisions of this Court as to whether any money was due from the defendant to the plaintiff. Plaintiff might have made a motion for an injunction in his action then pending in court to restrain his debtor from complying with said Royalty Adjustment orders until the determination of that cause. Since equity regards the substance rather than the form, it is submitted that it is immaterial that an ancillary action was brought in the same court and involving the same controversy as had been pending since 1941, instead of a motion for an injunction being made in the original action.

In his response to the certification of the District Court the Attorney General asked leave, pursuant to the Act of August 24, 1937, to intervene and become a party to the action for the purposes of said Act (R. 51). The leave was granted by an order providing that the United States was deemed to be a party. (R. 52). The Act of August 24, 1937, c. 754, § 1, 50 Stat. 751, provides:

> "Whenever the constitutionality of any Act of Congress affecting the public interest is drawn in question in any court of the United States in any suit or proceeding to which the United States, or any agency thereof, or any officer or employee thereof, as such officer or employee, is not a party, the court having jurisdiction of the suit or proceeding shall certify such fact to the Attorney General. In any such case the court shall permit the United States to intervene and become a party for presentation of evidence (if evidence is otherwise receivable in such suit or proceeding) and argument upon the question of the constitutionality of such

Act. In any such suit or proceeding the United States shall, subject to the applicable provisions of law, have all the rights of a party and the liabilities of a party as to court costs to the extent necessary for a proper presentation of the facts and law relating to the constitutionality of such Act."

It will be noted that the United States, under this statute, became a party for presentation of evidence and argument upon one question only, the question of the constitutionality of the Royalty Adjustment Act. When it did become a party for this purpose, we submit that a controversy was presented between the appellant and the United States as to the constitutionality of the Act. Upon that question the appellant's right to relief depended, since, if the Act was constitutional, he would not be entitled to the royalties prescribed by his contract nor to sue Breeze or Federal for greater royalties than $50,000 per annum.

Action No. 485 was brought by the plaintiff in the District Court for the Western District of Pennsylvania against Federal (which had not been served and had not appeared in the New Jersey action) and Breeze for an accounting of royalties due plaintiff and for a judgment for plaintiff for the amount of money found to be due. In this action plaintiff prayed that an injunction issue restraining Federal and Breeze from complying with the Royalty Adjustment orders and paying to the Treasurer of the United States all moneys due and owing plaintiff under his contract of December 8, 1932, in excess of $50,000 in one year (No. 485, R. 11). The allegations showing plaintiff's right to an injunction appeared in the complaint, which was verified. A temporary restraining order was issued on the filing of the

complaint and was served, with the summons and complaint, on defendant Federal. Notice was duly given to the Attorney General as provided by the Act of August 24, 1937, *supra*. The Attorney General filed a response to the certification and a motion for leave to intervene, in which he said: "Intervention is sought herein in order to support the constitutionality and validity of the Royalty Adjustment Act herein drawn in question and of Royalty Adjustment Orders Nos. W-9 and N-7" (R. 49). The motion of the United States was granted (R. 52). Defendant Federal filed an answer alleging that under the agreement of December 8, 1932, the sum of $180,230.44 was due and owing from that defendant but denying that judgment should be granted in that or any similar amount, for the reason that the Royalty Adjustment orders prohibit payment of all claims of the plaintiff for royalties except the amounts provided in said orders (R. 54). In this action, therefore, there is a case or controversy between the appellant and Federal, not merely as to the amount due under the contract but also as to the validity and effect of the Royalty Adjustment orders. Moreover, since the United States has become a party, a controversy is presented between the appellant and the United States as to the constitutionality of the Royalty Adjustment Act. Upon this question, as we have said, the appellant's right to relief depends, since, if the Act is constitutional, he will not be entitled to the royalties prescribed by his contract nor to sue Breeze or Federal in any court for greater royalties than $50,000 per annum.

That the actions against Breeze and Federal are cases or controversies within the meaning of the Constitution is clearly shown by the opinion of Mr. Chief Justice Marshall in *Weston v. City Council of Charleston*,

2 Pet. 449, in which he said of the similar term "suit" in the Judiciary Act (p. 464):

> "The term is certainly a very comprehensive one, and is understood to apply to any proceeding in a court of justice, by which an individual pursues that remedy in a court of justice which the law affords him. The modes of proceeding may be various, but if a right is litigated between parties in a court of justice, the proceeding by which the decision of the court is sought is a suit."

In *Smith v. Adams*, 130 U. S. 167, the Court said by Mr. Justice Field (pp. 173-174):

> "Whenever the claim or contention of a party takes such a form that the judicial power is capable of acting upon it, then it has become a case or controversy."

The fullest definition of what is a case or controversy is in the opinion of this Court by the present Chief Justice in *Nashville, etc. Ry. Co. v. Wallace*, 288 U. S. 249, in which the Court sustained the constitutionality of the Uniform Declaratory Judgments Act of Tennessee. Mr. Justice Stone said (pp. 261-262):

> "That the issues thus raised and judicially determined would constitute a case or controversy if raised and decided in a suit brought by the taxpayer to enjoin collection of the tax cannot be questioned. See *Risty v. Chicago, R. I. & P. Ry. Co.*, 270 U. S. 378; compare *Terrace v. Thompson*, 263 U. S. 197; *Pierce v. Society of Sisters*, 268 U. S. 510; *Euclid v. Ambler Realty Co.*, 272 U. S. 365. The proceeding terminating in the decree below, unlike that in *South Spring Hill Gold Mining Co. v. Amador Medean Gold Mining Co.*, 145 U. S. 300; *Muskrat v.*

United States, 219 U. S. 346, was between adverse parties, seeking a determination of their legal rights upon the facts alleged in the bill and admitted by the demurrer. Unlike *Fairchild v. Hughes,* 258 U. S. 126; *Texas v. Interstate Commerce Commission,* 258 U. S. 158; *Massachusetts v. Mellon,* 262 U. S. 447; *New Jersey v. Sargent,* 269 U. S. 328, valuable legal rights asserted by the complainant and threatened with imminent invasion by appellees, will be directly affected to a specific and substantial degree by the decision of the question of law; and unlike *Luther v. Borden,* 7 How. 1; *Field v. Clark,* 143 U. S. 649; *Pacific States Telephone & Telegraph Co. v. Oregon,* 223 U. S. 118; *Keller v. Potomac Electric Power Co.,* 261 U. S. 428; *Federal Radio Commission v. General Electric Co.,* 281 U. S. 464, the question lends itself to judicial determination and is of the kind which this Court traditionally decides. The relief sought is a definitive adjudication of the disputed constitutional right of the appellant, in the circumstances alleged, to be free from the tax, see *Old Colony Trust Co. v. Commissioner,* 279 U. S. 716, 724; and that adjudication is not, as in *Gordon v. United States,* 2 Wall. 561, and *Postum Cereal Co. v. California Fig Nut Co.,* 272 U. S. 693, subject to revision by some other and more authoritative agency. Obviously the appellant, whose duty to pay the tax will be determined by the decision of this case, is not attempting to secure an abstract determination by the Court of the validity of a statute, compare *Muskrat v. United States, supra,* 361; *Texas v. Interstate Commerce Commission, supra,* 162; or a decision advising what the law would be on an uncertain or hypothetical state of

facts, as was thought to be the case in *Liberty Warehouse Co. v. Grannis*, 273 U. S. 70, and *Willing v. Chicago Auditorium Assn.*, 277 U. S. 274; see also *Warehouse Co. v. Tobacco Growers Assn.*, 276 U. S. 71, 88; compare *Arizona v. California*, 283 U. S. 423, 463."

The latest discussion as to what is a case or controversy is found in the opinion of the Court by Mr. Chief Justice Hughes in *Aetna Life Ins. Co. v. Haworth*, 300 U. S. 227, in which the constitutionality of the Federal Declaratory Judgment Act was sustained. Mr. Chief Justice Hughes said (p. 242):

"There is here a dispute between parties who face each other in an adversary proceeding. The dispute relates to legal rights and obligations arising from the contracts of insurance. The dispute is definite and concrete, not hypothetical or abstract. Prior to this suit, the parties had taken adverse positions with respect to their existing obligations. Their contentions concerned the disability benefits which were to be payable upon prescribed conditions. On the one side, the insured claimed that he had become totally and permanently disabled and hence was relieved of the obligation to continue the payment of premiums and was entitled to the stipulated disability benefits and to the continuance of the policies in force. The insured presented this claim formally, as required by the policies. It was a claim of a present, specific right. On the other side, the company made an equally definite claim that the alleged basic fact did not exist, that the insured was not totally and permanently disabled and had not been relieved of the duty to continue the payment of premiums, that in

consequence the policies had lapsed, and that the company was thus freed from its obligation either to pay disability benefits or to continue the insurance in force. Such a dispute is manifestly susceptible of judicial determination. It calls, not for an advisory opinion upon a hypothetical basis, but for an adjudication of present right upon established facts."

To this may be added the statement in the opinion of the Court by Mr. Justice Reed at the last term in *Stark v. Wickard*, 321 U. S. 288, at p. 310, that "under Article III, Congress established courts to adjudicate cases and controversies as to claims of infringement of individual rights, whether by unlawful action of private persons or by the assertion of unauthorized administrative power." It is a controversy of the type last mentioned that should be adjudicated in the cases at bar.

Before the intervention of the United States in the actions at bar, we submit that they were cases or controversies within the terms of the judiciary article of the Constitution. But if they were not, a controversy between the appellant and the United States is clearly presented after the intervention.

The effect of the Act of August 24, 1937, is to permit the United States to become a party to any suit or proceeding to which it is not a party, for presentation of evidence and argument upon the question of the constitutionality of any Act of Congress affecting the public interest. Counsel for the Government in the District Court for the Western District of Pennsylvania contended that "one way to defend the statute, and a method which is open to any litigant, is to point out a want of jurisdiction in the court." But of course this

is not a way to defend the *constitutionality* of the statute but a way to *prevent* a determination of the question as to its constitutionality. If there be no case or controversy within the meaning of the Constitution, the court will so hold on its own motion. The United States does not need to intervene in order that the question of justiciability may be determined. The United States, when it does intervene, becomes a party, suable like any other party claiming a benefit under an Act averred by the plaintiff to be unconstitutional. There is then a controversy between the plaintiff and the United States. *Cf. Cohens v. Virginia*, 6 Wheat. 264, 379-380.

When the United States has intervened, its situation is precisely parallel to that of a State intervening in a pending action between private parties, and the jurisdiction of the court is indubitable under the decision in *Clark v. Barnard*, 108 U. S. 436, in which this Court said by Mr. Justice Matthews (pp. 447-448):

> "The first question for determination on this appeal is that of jursidiction, raised first by the demurrer and afterwards by the answer of Clark, general treasurer of the State of Rhode Island, on the ground that the suit was in effect brought against a State by citizens of another State, contrary to the Eleventh Amendment to the Constitution of the United States.
>
> "We are relieved, however, from its consideration by the voluntary appearance of the State in intervening as a claimant of the fund in court. The immunity from suit belonging to a State, which is respected and protected by the Constitution within the limits of the judicial power of the United States, is a personal privilege which it may waive at

pleasure; so that in a suit, otherwise well brought, in which a State had sufficient interest to entitle it to become a party defendant, its appearance in a court of the United States would be a voluntary submission to its jursidiction; while, of course, those courts are always open to it as a suitor in controversies between it and citizens of other States. In the present case the State of Rhode Island appeared in the cause and presented and prosecuted a claim to the fund in controversy, and thereby made itself a party to the litigation to the full extent required for its complete determination. It became an actor as well as defendant, as by its intervention the proceeding became one in the nature of an interpleader, in which it became necessary to adjudicate the adverse rights of the State and the appellees to the fund, to which both claimed title. The case differs from that of *Georgia v. Jesup*, 106 U. S. 458, where the State expressly declined to become a party to the suit, and appeared only to protest against the exercise of jurisdiction by the court."

See also *Gunter v. Atlantic Coast Line R. R. Co.*, 200 U. S. 273, by Mr. Justice White, at p. 284.

The United States here, while becoming a party to the suit, contends that it appeared only to protest against the exercise of jurisdiction; but this contention is not well founded in view of the fact that the only purpose for which it was, or could be, permitted to intervene under the Act of 1937 was the "presentation of evidence * * * and argument upon the question of the constitutionality" of the Act of Congress drawn in question in the suit.

The cases at bar are entirely different from *Muskrat v. United States*, 219 U. S. 346, upon which the counsel for the Government relied in his argument in the court below. Here the interest of the United States is adverse to that of the appellant. It is asserting a property right as against him. In the *Muskrat* case, on the other hand, as the Court said in its opinion by Mr. Justice Day (pp. 361-362):

> "It is true the United States is made a defendant to this action, but it has no interest adverse to the claimants. The object is not to assert a property right as against the Government, or to demand compensation for alleged wrongs because of action upon its part. The whole purpose of the law is to determine the constitutional validity of this class of legislation, in a suit not arising between parties concerning a property right necessarily involved in the decision in question, but in a proceeding against the Government in its sovereign capacity, and concerning which the only judgment required is to settle the doubtful character of the legislation in question. Such judgment will not conclude private parties, when actual litigation brings to the court the question of the constitutionality of such legislation. In a legal sense the judgment could not be executed; and amounts in fact to no more than an expression of opinion upon the validity of the acts in question."

In *Old Colony Trust Co. v. Commissioner of Internal Revenue*, 279 U. S. 716, the Court said in an opinion by Mr. Chief Justice Taft dealing with the justiciability of a controversy between the United States or the Commissioner of Internal Revenue and a private party (pp. 723-725):

"It is not necessary that the proceeding to be judicial should be one entirely *de novo;* it is enough that, before the judgment which must be final has been invoked as an exercise of judicial power, it shall have certain necessary features. What these are has been often declared by this Court. Perhaps the most comprehensive definitions of them are set forth in *Muskrat v. United States,* 219 U. S. 346, 356, where this Court entered into the inquiry what was the exercise of judicial power as conferred by the Constitution. There was cited there a definition by Mr. Justice Field, in *Re Pacific Railway Commission,* 32 Fed. 241, 255, which has been generally accepted as accurate. He said:

" 'The judicial article of the Constitution mentions cases and controversies. The term "controversies," if distinguishable at all from "cases," is so in that it is less comprehensive than the latter; and includes only suits of a civil nature. *Chisholm v. Georgia,* 2 Dall. 431, 432; 1 Tuch. Bl. Comm. App. 420, 421. By cases and controversies are intended the claims of litigants brought before the courts for determination by such regular proceedings as are established by law or custom for the protection or enforcement of rights, or the prevention, redress, or punishment of wrongs. Whenever the claim of a party under the Constitution, laws or treaties of the United States takes such a form that the judicial power is capable of acting upon it, then it has become a case. The term implies the existence of present or possible adverse parties whose contentions are submitted to the court for adjudication.'

"In *Osborn v. United States Bank,* 9 Wheat.

738, Chief Justice Marshall construed Article III of the Constitution as follows (p. 819):

"'This clause enables the judicial department to receive jurisdiction to the full extent of the constitution, laws and treaties of the United States, when any question respecting them shall assume such a form that the judicial power is capable of acting on it. That power is capable of acting only when the subject is submitted to it, by a party who asserts his rights in the form prescribed by law. It then becomes a case, and the constitution declares, that the judicial power shall extend to all cases arising under the constitution, laws and treaties of the United States.'

"The Circuit Court of Appeals is a constitutional court under the definition of such courts as given in the *Bakelite* case, *supra,* and a case or controversy may come before it, provided it involves neither advisory nor executive action by it.

"In the case we have here, there are adverse parties. The United States or its authorized official asserts its right to the payment by a taxpayer of a tax due from him to the Government, and the taxpayer is resisting that payment or is seeking to recover what he has already paid as taxes when by law they were not properly due. That makes a case or controversy, and the proper disposition of it is the exercise of judicial power. The courts are either the Circuit Court of Appeals or the District of Columbia Court of Appeals. The subject matter of the controversy is the amount of the tax claimed to be due or refundable and its validity, and the judgment to be rendered is a judicial judgment."

May we not say with equal propriety that judgments to be rendered in the cases at bar are judicial judgments if they determine between the appellant and the United States a controversy as to the right of the latter to take the appellant's property?

Some point was made by the court for the District of New Jersey (No. 71, R. 68) that even if the complaint could be regarded as presenting a case or controversy, it must be dismissed for want of equity, and a contention to a like effect was made by the counsel for the Government in his brief in the case in the Western District of Pennsylvania. But as we have pointed out, it is not the purpose of the Act of August 24, 1937, to permit the United States to intervene to object to the jurisdiction of the court, and we submit that the Attorney General should argue the question of the constitutionality of the Act of Congress drawn in question, and nothing more. If the United States did not wish to have the question of the constitutionality of the Act determined, it should not have become a party. The Act of 1937 removes any obstacles to the determination of that question, and it matters not whether the case is one within the equity jurisdiction. As a matter of supererogation we may add that the Rules of Civil Procedure for the District Courts provide one form of civil action and procedure for both cases in equity and actions at law. If there be a case or controversy, the objection of lack of equity in the complaint is out of date; and in view of the limitations put upon the Attorney General by the Act of 1937 the objection could be made only by the defendants and not by the Government. Neither of the defendants has raised the objection in the cases at bar, and they must be taken to have waived it. *Hollins v. Brierfield Coal &*

Iron Co., 150 U. S. 371, 380-381; *Buffum v. Barceloux Co.*, 289 U. S. 227, 235-236.

But if it were necessary to show that the cases are within the equity jurisdiction of the court, it would be easy to do so. The original action to which the case at No. 71 is ancillary and the action in case No. 485 are both in the nature of bills for accounting by reason of complicated accounts. See also the affidavit of John Allen Aporta, an employee of the accountants appointed by Judge Smith in the New Jersey District, attached to the complaint in the Western District of Pennsylvania (No. 485, R. 13), in which he says that "defendants did not keep full, accurate and complete books of account respecting the manufacture and sale of Coffman starters, parts therefor, and cartridges," as the agreement provided (R. 14). Instances of the exercise of equity jurisdiction in similar cases to compel an accounting in order to enforce a contract right are *Kirby v. Lake Shore, etc. R. R.*, 120 U. S. 130; *Kilbourn v. Sunderland*, 130 U. S. 505, 514-515; *United States v. Old Settlers*, 148 U. S. 427, 465; *McMullen Lumber Co. v. Strother*, 136 Fed. 295 (C.C.A., 8th Circ.). They are illustrations of the general principle, frequently laid down by this Court, that it is not enough to defeat the equity jurisdiction that there is a remedy at law, but that that remedy must be "as practical and efficient to the ends of justice and its prompt administration, as the remedy in equity": *Boyce's Executors v. Grundy*, 3 Pet. 210, by Mr. Justice Johnson, at p. 215; *Kilbourn v. Sunderland*, 130 U. S., *supra*, at pp. 514-515; *Gormley v. Clark*, 134 U. S. 338, at p. 349; *Tyler v. Savage*, 143 U. S. 79, at p. 95; *Davis v. Wakelee*, 156 U. S. 680, at p. 688; *Walla Walla City v. Walla Walla Water Co.*, 172 U. S. 1, at p. 12; *Union Pacific R. R. Co. v. Board of County Commis-*

sioners of the County of Weld, 247 U. S. 282, at pp. 285-286; *Wilson v. Illinois Southern Ry. Co.,* 263 U. S. 574, at p. 577.

While the question as to the constitutionality of the Royalty Adjustment Act could undoubtedly be determined at a distant future date in an action at law, that is no reason for holding that that question should not be passed on now, since it may be more speedily and efficiently decided in the pending equity actions as a step necessary for a court of equity to take in order to grant complete relief. As Mr. Justice Pitney said, delivering the opinion of the Court in *Greene v. Louisville & Interurban R. R. Co.,* 244 U. S. 499, at p. 520:

> "It is a familiar maxim that 'a court of equity ought to do justice completely, and not by halves;' and to this end, having properly acquired jurisdiction of a cause for any purpose, it should dispose of the entire controversy and its incidents, and not remit any part of it to a court of law."

See also *Clarke v. White,* 12 Pet. 178, 188; *Kennedy v. Creswell,* 101 U. S. 641, 646; *Camp v. Boyd,* 229 U. S. 530, 551-552; *McGowan v. Parish,* 237 U. S. 285, 296; *Alexander v. Hillman,* 296 U. S. 222, 242.

The importance of expediting the decision of the question as to the constitutionality of an act of Congress affecting the public interest is recognized in the provisions of Section 3 of the Act under which the United States intervened, the Act of August 24, 1937, c. 754, 50 Stat. 752, USCA § 380(a). That section provides that the hearing upon any application for an "injunction suspending or restraining the enforcement, operation, or execution of, or setting aside, in whole or in part, any Act of Congress upon the ground that such Act or any

part thereof is repugnant to the Constitution of the United States * * * shall be given precedence and shall be in every way expedited and be assigned for a hearing at the earliest practicable day." It provides that an appeal may be taken directly to this Court after the entry of a judgment either granting or denying the injunction, and that the appeal shall be heard by this Court at the earliest possible time and shall take precedence over all other matters not of a like character.

All the parties in interest in the controversy involving the constitutionality of the Royalty Adjustment Act being now before this Court, we submit that it should determine the question as to the constitutionality of that Act upon the present appeals.

Point II.

The Act of October 31, 1942, c. 634, and the War and Navy Department Orders Involved in This Case Contravene the Fifth Amendment to the Constitution.

The Government, in the court below, argued that "the Royalty Adjustment Act is sustainable both as an exercise of the sovereign power of eminent domain, and as a proper and reasonable exercise of the war and patent powers."

The United States is a government of limited powers. The power of eminent domain may be exercised only when it is necessary and proper to carry into execution one of the powers vested by the Constitution in the Government of the United Sttaes. It is a power given to Congress by Art. I. Sec. 8, cl. 18. It is an incidental, not an independent, power. The contention of

the Government, therefore, is reduced to the proposition that the Act is sustainable as an exercise of the war and patent powers.

It is obvious that the taking of the appellant's property cannot be justified under the patent power. That is a power "To promote the Progress of Science and useful Arts, by securing for limited Times to * * * Inventors the exclusive Right to their respective * * * Discoveries" (Constitution, Art. I, Sec. 8, cl. 8). Clearly the effect of the Royalty Adjustment Act is not to secure to an inventor the exclusive right to his discovery. Its effect is to render that right insecure. The contention of the Government, therefore, is reduced to the proposition that the Act is sustainable as an exercise of the war power.

The war power is subject to the restrictions of the Fifth Amendment to the Constitution. There has been no doubt about the applicability of these restrictions to the exercise of the war power since the decision in *Ex parte Milligan*, 4 Wall. 2, where the Court, referring to the Fourth, Fifth and Sixth Amendments, said by Mr. Justice Davis (pp. 120-121):

> "The Constitution of the United States is a law for rulers and people, equally in war and in peace, and covers with the shield of its protection all classes of men, at all times, and under all circumstances. No doctrine, involving more pernicious consequences, was ever invented by the wit of man than that any of its provisions can be suspended during any of the great exigencies of government. Such a doctrine leads directly to anarchy or despotism, but the theory of necessity on which it is based is false; for the government, within the Constitution,

has all the powers granted to it, which are necessary to preserve its existence; as has been happily proved by the result of the great effort to throw off its just authority."

See also *United States v. Russell,* 13 Wall. 623, by Mr. Justice Clifford, at pp. 627-628; *United States v. Lee,* 106 U. S. 196, by Mr. Justice Miller, at p. 218; *Hamilton v. Kentucky Distilleries Co.,* 251 U. S. 146, by Mr. Justice Brandeis, at p. 155; *United States v. Cohen Grocery Co.,* 255 U. S. 81, by Mr. Chief Justice White, at pp. 88-89; *United States v. New River Collieries Co.,* 262 U. S. 341, by Mr. Justice Butler, at p. 343; *Highland v. Russell Car, etc., Co.,* 279 U. S. 253, by Mr. Justice Butler, at pp. 261-262; *Home Building & Loan Ass'n v. Blaisdell,* 290 U. S. 398, by Mr. Chief Justice Hughes, at p. 426; concurring opinion of Mr. Justice Murphy in *Hirabayashi v. United States,* 320 U. S. 81, at p. 110.

But if there is another power than the war power under which an attempt may be made to justify the Royalty Adjustment Act, the Act must nevertheless meet the requirements of the Fifth Amendment. All the powers of Congress are subject to its restrictions. *Monongahela Navigation Co. v. United States,* 148 U. S. 312, by Mr. Justice Brewer, at p. 336; *United States v. Lynah,* 188 U. S. 445, by the same learned judge, at p. 465; *United States v. Cress,* 243 U. S. 316, by Mr. Justice Pitney, at p. 320.

We submit that the Fifth Amendment invalidates the Royalty Adjustment Act and the orders of the War and Navy Departments made thereunder, because (a) they deprive the appellant of property without due process of law and (b) they take private property without just compensation.

(A) THE ROYALTY ADJUSTMENT ACT AND THE ORDERS MADE THEREUNDER DEPRIVE THE APPELLANT OF PROPERTY WITHOUT DUE PROCESS OF LAW.

The rights of a patentee are property. The fact that they are derived from an act of the Government does not deprive them of any of the protection from further acts of the Government to which any other property is entitled. The right to exclude others from the use of an invention under a patent from the United States is a right of the same kind as a right to exclude others from the use of land held under a patent from a State. The law has been settled to this effect for more than six decades. Mr. Justice Bradley, delivering the opinion of the Court in *James v. Campbell,* 104 U. S. 356, said (pp. 357-358):

> "That the government of the United States when it grants letters-patent for a new invention or discovery in the arts, confers upon the patentee an exclusive property in the patented invention which cannot be appropriated or used by the government itself, without just compensation, any more than it can appropriate or use without compensation land which has been patented to a private purchaser, we have no doubt. The Constitution gives to Congress power 'to promote the progress of science and useful arts by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries,' which could not be effected if the government had a reserved right to publish such writings or to use such inventions without the consent of the owner. Many inventions relate to subjects which can only be

properly used by the government, such as explosive shells, rams, and submarine batteries to be attached to armed vessels. If it could use such inventions without compensation, the inventors could get no return at all for their discoveries and experiments. It has been the general practice, when inventions have been made which are desirable for government use, either for the government to purchase them from the inventors, and use them as secrets of the proper department; or, if a patent is granted, to pay the patentee a fair compensation for their use. The United States has no such prerogative as that which is claimed by the sovereigns of England, by which it can reserve to itself, either expressly or by implication, a superior dominion and use in that which it grants by letters-patent to those who entitle themselves to such grants. The government of the United States, as well as the citizen, is subject to the Constitution; and when it grants a patent the grantee is entitled to it as a matter of right, and does not receive it, as was originally supposed to be the case in England, as a matter of grace and favor."

See also *United States v. Palmer*, 128 U. S. 262, by the same learned judge, at p. 271; *Solomons v. United States*, 137 U. S. 342, by Mr. Justice Brewer, at p. 346; *Gill v. United States*, 160 U. S. 426, by Mr. Justice Brown, at p. 435; *McCormick Harvesting Machine Co. v. Aultman*, 169 U. S. 606, by the same learned judge, at pp. 608-609; *United States v. Dubilier Condenser Corp.*, 289 U. S. 178, by Mr. Justice Roberts, at p. 187.

The appellant granted an exclusive license under his patent in 1932 to the appellee Federal Laboratories.

Inc., and in consideration thereof received the promise of the licensee to pay him a royalty equal to 6% of the licensee's net selling price on devices made for consumption of starters, parts therefor and shells (No. 71, R. 11; No. 485, R. 17).

By the Navy Department and War Department orders (No. 71, R. 46, 42; No. 485, R. 43, 39), the licensee was authorized to pay to the appellant on account of starters sold to or for either Department only $8 each, and upon parts and cartridges so sold, no royalties, and not at the most to exceed $50,000 in each calendar year commencing with 1943 in respect to starters sold for or to the two Departments. The licensee was directed to pay over to the Treasurer of the United States the balance of all royalties specified in the contract.

It is obvious that a contract right of the appellant was taken by the orders of the Navy Department and War Department. By the license agreement the licensee had a contract right to the exclusive use of the invention and the licensor had a contract right to receive the royalties specified, the greater part of which, under the orders, are to be received by the United States and not by the appellant.

Contract rights are property protected by the Fifth Amendment. This Court said in *Lynch v. United States*, 292 U. S. 571, by Mr. Justice Brandeis (p. 579):

> "Valid contracts are property, whether the obligor be a private individual, a municipality, a State or the United States. Rights against the United States arising out of a contract with it are protected by the Fifth Amendment."

See also *Long Island Water Supply Co. v Brooklyn*, 166 U. S. 685, by Mr. Justice Brewer, at p. 690; *Brooks-*

Scanlon Corp. v. United States, 265 U. S. 106, by Mr. Justice Butler; *Russian Volunteer Fleet v. United States,* 282 U. S. 481, by Mr. Chief Justice Hughes.

Can the taking of the contract right of the appellant to receive royalties specified in the license agreement be justified as an exercise of the power of eminent domain?

That power is defined by a learned writer on the subject as follows:

> "Eminent domain is the right or power of a sovereign State to appropriate private property to particular uses, for the purpose of promoting the general welfare. It embraces all cases where, by the authority of the State and for the public good, the property of the individual is taken without his consent, for the purpose of being devoted to some particular use, either by the State itself or by a corporation, public or private, or a private citizen." (*Lewis, Eminent Domain,* 3d ed., § 1.).

The right of the appellant to receive royalties specified in the agreement is taken by the War Department and Navy Department orders not "for the purpose of being devoted to some particular use" but only for the purpose of improving the financial condition of the United States. The orders call for the payment to the Treasurer of the United States of all royalties in excess of $50,000 in each calendar year in respect of starters sold for or to the two Departments.

We submit that money or the right to receive money is not such property as may be lawfully taken by eminent domain. One of the greatest American jurists notes the distinction for this purpose between money

and property which is to be used by the Government in kind:

> "Every species of property which the public needs may require and which government cannot lawfully appropriate under any other right, is subject to be seized and appropriated under the right of eminent domain. Lands for the public ways; timber, stone, and gravel with which to make or improve the public ways; buildings standing in the way of contemplated improvements, or which for any other reason it becomes necessary to take, remove, or destroy for the public good; streams of water; corporate franchises; and generally, it may be said, legal and equitable rights of every description are liable to be thus appropriated. From this statement, however, must be excepted money; or that which in ordinary use passes as such, and which the government may reach by taxation, and also rights in action, which can only be available when made to produce money; neither of which can it be needful to take under this power." (*Cooley's Constitutional Limitations,* 8th ed., vol. 2, 1113.)

See also the footnote to this paragraph (p. 1118), which reads in part as follows:

> "Property of individuals cannot be appropriated by the State under this power for the mere purpose of adding to the revenues of the State. Thus it has been held in Ohio, that in appropriating the water of streams for the purposes of a canal, more could not be taken than was needed for that object, with a view to raising a revenue by selling or leasing it. * * *
>
> "Taking money under the right of eminent domain, when it must be compensated in money after-

> wards, could be nothing more or less than a forced loan, only to be justified as a last resort in a time of extreme peril, where neither the credit of the government nor the power of taxation could be made available. It is impossible to lay down rules for such a case, except such as the law of overruling necessity, which for the time being sets aside all the rules and protections of private right, shall then prescribe."

It will hardly be contended by the Government in this case that the taking of the money due to the appellant is "justified as a last resort in a time of extreme peril, where neither the credit of the government nor the power of taxation could be made available."

A careful study of all the cases on eminent domain disclosed by our research indicates that the taking of the appellant's right to receive money has no precedent in our history. A chronological review of the opinions in which the matter has been discussed may be not without interest.

In *Buckingham v. Smith*, 10 Ohio 288 (1840), where canal commissioners had constructed a feeder to a canal, to be used for the purpose of taking more water out of a river than was required for canal navigation, the court said by Woodward, J. (pp. 296-297):

> "The State, notwithstanding the sovereignty of her character, can take only sufficient water, from *private streams*, for the purposes of the canal. So far the law authorizes the commissioners to invade private right, as to take what may be necessary for canal navigation, and to this extent, authority is conferred by the constitution, provided, a compensation be paid in money to the owner. The prin-

ciple is founded on the superior claims of a whole community, over an individual citizen; but then, in those cases, only, where private property is wanted for *public use*, or demanded by the *public welfare*. We know of no instances in which it has, or can be taken, even by State authority, for the mere purpose of raising a revenue by resale, or otherwise; and the exercise of such a power would be utterly destructive of individual right, and break down all the distinctions between *meum et tuum*, and annihilate them forever, at the pleasure of the State."

In *People v. Mayor, &c. of Brooklyn*, 4 N. Y. 419 (1851), the court laid down what has since been regarded as a classic statement of the distinction between taxation and the exercise of eminent domain, saying by Ruggles, J. (pp. 424-425):

"Taxation exacts money, or services, from individuals, as and for their respective shares of contribution to any public burthen.

"Private property taken for public use by right of eminent domain, is taken not as the owner's share of contribution to a public burthen, but as so much beyond his share.

"Special compensation is therefore to be made in the latter case, because the government is a debtor for the property so taken; but not in the former, because the payment of taxes is a duty and creates no obligation to repay, otherwise than in the proper application of the tax.

"Taxation operates upon a community or upon a class of persons in a community and by some rule of apportionment.

"The exercise of the right of eminent domain operates upon an individual, and without reference

to the amount, or value exacted from any other individual, or class of individuals.

"Keeping these distinctions in mind, it will never be difficult to determine which of the two powers is exerted in any given case.

"It may be proper here although not strictly necessary, to express the opinion that money can not be exacted by the government by right of eminent domain, excepting, perhaps, for the direct use of the state at large, and when the state at large is to make the compensation.

"The exigencies of a state government can seldom require the taking of money by virtue of this power even in time of war, and never in time of peace. The framers of the constitution could not have intended to delegate to municipal corporations the right of taking money under this power, because it is entirely unnecessary. Money can always be had by taxation; lands can not; and therefore lands may be taken by right of eminent domain, but money may not. The 7th section of article 1 of the constitution, confirms this construction of the power. It directs the compensation for private property so taken, to be ascertained by a jury, or by commissioners. This is an appropriate mode when lands or goods are taken, because their value is uncertain; but not when money is taken, because its value is already fixed.

"The validity of the assessment in question, therefore, can not be maintained as an exercise of the power of eminent domain; and it can not be maintained at all unless it be a legitimate mode of taxation."

This case was cited with approval in the opinion of this Court by Mr. Chief Justice Hughes in *Houck v. Little River Drainage District*, 239 U. S. 254, at p. 265.

In *Burnett v. Mayor, etc., of the City of Sacramento*, 12 Cal. 76 (1859), the court said by Mr. Justice Field (p. 83):

"Money is not that species of property which the sovereign authority can authorize to be taken in the exercise of its right of eminent domain. That right can be exercised only with reference to other property than money, for the property taken is to be the subject of compensation in money itself, and the general doctrine of the authorities of the present day is, that the compensation must be either made, or a fund provided for it in advance.

"The assessment, therefore, must rest for its validity upon its being a legitimate exercise of the taxing power."

In *Emery v. San Francisco Gas Co.*, 28 Cal. 345 (1865), the court said by Sawyer, J. (p. 350):

"In a certain sense money is property. But it might just as well be said, that money taken by general taxation for the ordinary purposes of State revenue is property within the meaning of the Constitution, and cannot be taken without compensation. The theory of all taxation is, doubtless, in a general sense, that there is compensation for the taxes taken in the protection and security to life, liberty and property afforded by the Government supported by the money raised. But this, manifestly, is not the compensation to be made for property taken for public use, within the meaning of the terms as used in the section of the Constitution

cited. The property referred to in the Constitution for which special compensation must be made, is something other than money, as where land is taken to be used as a street, and the like, and the compensation referred to, doubtless, means a compensation in money, the only medium by which special compensation can be accurately measured and adjusted; and to make such compensation in the case of assessments to raise money for the purpose of paying for grading streets, would be to take the money from the property holder with one hand and return it with the other; and this would leave nothing for the purposes required."

In *Hammett v. Philadelphia*, 65 Pa. 146 (1870), Sharswood, J., after referring to the opinion of Mr. Justice Field that the right of eminent domain can be exercised only with reference to other property than money, said (pp. 152-153):

"I am not able, and do not feel disposed to enter the lists upon such a question, but it does seem to me that there may be occasions in which money may be taken by the state in the exercise of its transcendental right of eminent domain. Such would be the case of a pressing and immediate necessity, as in the event of invasion by a public enemy, or some great calamity, as famine or pestilence, contributions could be levied on banks, corporations or individuals. The obligation of compensation is not immediate. It is required only that provision should be made for compensation in the future. Judge Ruggles confines the right to exact money by virtue of the eminent domain, to the case where it is for the use of the state at large in time of war: The people *ex. rel.* Griffin v. Brooklyn, 4 Comst. 419. I

cannot see that there is any such necessary limitation. The public necessity which gives rise to it, prevents its being restrained by any limitations as to either subject or occasion. In truth it matters not whether an assessment upon an individual or a class of individuals for a general, and not a mere local purpose, be regarded as an act of confiscation—a judicial sentence or rescript, or a taking of private property for public use without compensation—in any aspect, it transcends the power of the legislature, and is void. I regard it as a forced contribution. If the sovereign breaks open the strong-box of an individual or corporation and takes out money, or, if not being paid on demand, he seizes and sells the lands or goods of the subject, it looks to me very much like a direct taking of private property for public use. It certainly cannot alter the case to call it taxation."

In *Cary Library v. Bliss*, 151 Mass. 364 (1890), the court, holding that it was unconstitutional to take $1,500 deposited in a savings bank and two promissory notes of a town amounting to $11,000 under the right of eminent domain, said by Knowlton, J. (p. 379):

"There may be a great public exigency, as in time of war, which will authorize the government to take money in the exercise of this right. *Mitchell v. Harmony*, 13 How. 115, 128. *Williams v. Wilkerman*, 44 Misso. 484. *Yost v. Stout*, 4 Cold. 205. But it cannot truly be said that the taking of money by a private corporation, created to administer a public charity, is a taking of property for public use. The money taken must be paid for in money. It cannot be taken unless it is paid for in advance, or sufficient provision is made for immediate pay-

ment, which provision must be in money or in that which is deemed its equivalent. There can be no necessity for such a taking. In its nature it is not a taking for public use. There can be a taking for a public use under this power only when, in the nature of the case, there is, or may be, a public necessity for the taking."

The three cases cited in the Massachusetts court's opinion as possibly authorizing the Government to take money in time of war all dealt with property other than money. They are illustrations of the principle expressed by Chief Justice Taney in delivering the opinion of the Court in one of them, *Mitchell v. Harmony*, 13 How. 115, at p. 134:

"There are, without doubt, occasions in which private property may lawfully be taken possession of or destroyed to prevent it from falling into the hands of the public enemy; and also where a military officer, charged with a particular duty, may impress private property into the public service or take it for public use. Unquestionably, in such cases, the government is bound to make full compensation to the owner; but the officer is not a trespasser.

"But we are clearly of opinion, that in all of these cases the danger must be immediate and impending; or the necessity urgent for the public service, such as will not admit of delay, and where the action of the civil authority would be too late in providing the means which the occasion calls for. It is impossible to define the particular circumstances of danger or necessity in which this power may be lawfully exercised. Every case must depend on its own circumstances. It is the emergency that gives

the right, and the emergency must be shown to exist before the taking can be justified."

We respectfully submit that the emergency under which the taking of money, or of the right to receive money, by eminent domain can be justified does not exist under the circumstances of the case at bar. We are not dealing with a case where, to use Judge Cooley's phrase, the right of eminent domain could be exercised to compel "a forced loan, only to be justified as a last resort in time of extreme peril, where neither the credit of the government nor the power of taxation could be made available." We are not dealing with a situation where, to use Chief Justice Taney's phrase, "a military officer, charge with a particular duty, may impress private property into the public service or take it for public use." The money is not "taken possession of * * * to prevent it from falling into the hands of the public enemy." No invasion of New Jersey or Pennsylvania has occurred. The Congress has power to lay and collect taxes to provide for the common defense, to borrow money on the credit of the United States, and to coin money and regulate the value thereof. It is by the exercise of these powers, not by the exercise of the power of eminent domain, that *money* is to be obtained by Congress in all normal circumstances, even in time of war. We may lay to one side the question as to what taking of money may be justified in the course of military operations.

To sum up: Property which is needed for public *use* may be taken in kind by the exercise of the power of eminent domain, and in no other way. Money, or the right to receive money, which is needed not for *use,* but for *revenue,* may be taken by the exercise of the power

of taxation, and in no other way. A taking of one man's money by the power of eminent domain deprives him of property without due process of law, just as a taking of another man's property not for use, but to produce revenue by selling it, would deprive him of property without due process of law. We submit, therefore, that the taking of the appellant's right to receive money in excess of $50,000 in a calendar year, if it can be justified at all, can be justified only as a tax.

> "Taxes are defined to be burdens or charges imposed by the legislative power upon persons or property, to raise money for public purposes." (*Cooley's Constitutional Limitations*, 8th ed., vol. 2, 986.)
>
> "The revenues of a State are a portion that each subject gives of his property in order to secure, or to have, the agreeable enjoyment of the remainder." (*Montesquieu, Spirit of the Laws*, bk. 12, c. 30.)

Is the exaction from the appellant justifiable as a tax? We submit that it is not, but that it is so arbitrary and capricious as to amount to confiscation and to deprive the appellant of property without due process of law.

This Court said by Mr. Justice Harlan in *Henderson Bridge Co. v. Henderson City*, 173 U. S. 592, at p. 614:

> "It is conceivable that taxation may be of such a nature and so burdensome as properly to be characterized a taking of private property for public use without just compensation."

What is conceivable in one generation is likely to occur in the next, and in recent years the Court has

held invalid under the due process clause a number of taxes imposed by Congress as being so arbitrary and capricious as to amount to confiscation. *Nichols v. Coolidge,* 274 U. S. 531; *Blodgett v. Holden,* 275 U. S. 142; *Untermyer v. Anderson,* 276 U. S. 440; *Heiner v. Donnan,* 285 U. S. 312. See also *Chicago, etc., R. R. Co. v. Chicago,* 166 U. S. 226, 241; *Barclay & Co. v. Edwards,* 267 U. S. 442, 450; *Helvering v. City Bank Farmers Trust Co.,* 296 U. S. 85, 92; and *cf. Hoeper v. Tax Commission of Wisconsin,* 284 U. S. 206. As Mr. Justice Roberts said in *Helvering v. City Bank Farmers Trust Co., ubi supra*:

> "There are, however, limits to the power of Congress to create a fictitious status under the guise of supposed necessity. Thus it has been held that an act creating a conclusive presumption that a gift made within two years prior to death was made by the donor in contemplation of death, and requiring the value of the gift to be included in computing the estate of the decedent subject to transfer tax, is so grossly unreasonable as to violate the due process clause of the Fifth Amendment. In the same category falls a statute seeking to tax the separate income of a wife as income of her husband."

If an act creating a conclusive presumption that a gift made within two years prior to death was made in contemplation of death and a statute seeking to tax the separate income of a wife as income of her husband are so grossly unreasonable as to violate the due process clause, what shall be said of the exaction made in the case at bar? It is a tax not upon the receipts of all persons in excess of $50,000 in a year, nor upon receipts

of royalties from inventions manufactured, used, sold or otherwise disposed of for the United States in excess of $50,000 a year, but a tax upon a particular inventor in whose case, in the opinion of the head of a department of the Government, that amount is determined to be fair and just, taking into account the conditions of war-time production, though a contract made many years before entitles him to much in excess of that amount. This contract is assumed to be valid and the excess over $50,000 is to be paid over to the Treasurer of the United States. Could a more arbitrary and capricious tax be devised? It is true that a limited right to judicial relief from the determination of the taxing authority is accorded to the taxpayer. Of the inadequacy of this relief we shall have something to say in the succeeding subdivision of this argument. But no matter what relief may be obtained, we maintain that the selection of the subject of taxation is so arbitrary and capricious that the purpose of confiscation of his contract right is obvious. Congress may, short of arbitrariness, classify persons and things for the purpose of taxation, but here the classification has run wild.

It might be supposed that one whose invention is contributing to the winning of the war would be a favorite of the taxing power. There have doubtless been times when a subsidy would be given to such a man by the sovereign. A great statesman who was at the same time a great inventor, Benjamin Franklin, is reported to have said, "History teaches us that republics are ungrateful." When ingratitude has reached the stage of confiscation, it is time for the judicial power to interfere with the legislative and the executive; and we submit that a case for such interference is here presented.

Otherwise, we see no possible bar to the selection of any class or person in the community and the imposition of a confiscatory tax upon them or him in relief of the tax burdens of the community as a whole.

(B) THE ROYALTY ADJUSTMENT ACT AND THE ORDERS MADE THEREUNDER TAKE PRIVATE PROPERTY WITHOUT JUST COMPENSATION.

If the taking of the appellant's contract right to receive royalties were an exercise of the right of eminent domain, nevertheless the Royalty Adjustment Act and the orders of the War and Navy Departments would be invalid because the right is taken without just compensation. The whole purpose of the statute is to substitute for the royalties to which the appellant is entitled by contract such royalties as the head of the department or agency of the Government concerned "shall determine are fair and just, taking into account the conditions of wartime production." When an order is made by the head of a department fixing and specifying a royalty, the licensee shall not pay to the licensor "a royalty, if any, in excess of that specified in said order." While under Section 2 of the Act suit may be instituted against the United States, the suit must be "to recover such sum, if any, as, when added to the royalties fixed and specified in such order, shall constitute fair and just compensation to the licensor for the manufacture, use, sale, or other disposition of the licensed invention for the United States, taking into account the conditions of wartime production." And the statute continues: "In any such suit the United States may avail itself of any and all defenses, general or special, that might be pleaded by a defendant

in an action for infringement as set forth in this title, or otherwise." In short, the statute is designed, and if valid is effective, to reduce the royalties to which the appellant is entitled under his contract. But the authorities, as we shall show, provide that the just compensation for the taking of a contract right required by the Fifth Amendment is the market value of the right, the sum which could probably have been obtained for an assignment of the right by an owner willing to sell it from a purchaser willing to buy it. The right to receive money is normally worth the amount of money to be received under it; and the Royalty Adjustment Act, providing for the payment of a less amount, fails completely to satisfy the requirement of the Fifth Amendment.

The principle upon which we rely was laid down by this Court as long ago as 1878, when, in *Boom Co. v. Patterson*, 98 U. S. 403, the Court said by Mr. Justice Field (pp. 407-408):

> "In determining the value of land appropriated for public purposes, the same considerations are to be regarded as in a sale of property between private parties. The inquiry in such cases must be what is the property worth in the market, viewed not merely with reference to the uses to which it is at the time applied, but with reference to the uses to which it is plainly adapted; that is, to say, what is it worth from its availability for valuable uses."

The leading case under the just compensation clause is doubtless *Monongahela Navigation Co. v. United States*, 148 U. S. 312. An Act of Congress authorized the Secretary of War to institute proceedings for the condemnation of a lock and dam of the appellant. The

Court found that the value of the lock and dam was $209,000, not considering the franchise of the appellant to collect tolls, and decreed that that sum be paid for the property condemned. On appeal this Court held that just compensation required payment for the franchise to take tolls as well as for the value of the tangible property and that the assertion by Congress of its purpose to take the property did not destroy the State franchise, and remanded the case for a new trial. Mr. Justice Brewer, delivering the opinion of the Court, said (pp. 325-326):

> "The language used in the Fifth Amendment in respect to this matter is happily chosen. The entire amendment is a series of negations, denials of right or power in the government, the last, the one in point here, being, 'Nor shall private property be taken for public use without just compensation.' The noun 'compensation,' standing by itself, carries the idea of an equivalent. Thus we speak of damages by way of compensation, or compensatory damages, as distinguished from punitive or exemplary damages, the former being the equivalent for the injury done, and the latter imposed by way of punishment. So that if the adjective 'just' had been omitted, and the provision was simply that property should not be taken without compensation, the natural import of the language would be that the compensation should be the equivalent of the property. And this is made emphatic by the adjective 'just.' There can, in view of the combination of those two words, be no doubt that the compensation must be a full and perfect equivalent for the property taken."

And again (p. 327):

> "By this legislation, Congress seems to have assumed the right to determine what shall be the measure of compensation. But this is a judicial and not a legislative question. The legislature may determine what private property is needed for public purposes—that is a question of a political and legislative character; but when the taking has been ordered, then the question of compensation is judicial. It does not rest with the public, taking the property, through Congress or the legislature, its representative, to say what compensation shall be paid, or even what shall be the rule of compensation. The Constitution has declared that just compensation shall be paid, and the ascertainment of that is a judicial inquiry. In *Charles River Bridge v. Warren Bridge*, 11 Pet. 420, 571, Mr. Justice McLean, in his opinion, referring to a provision for compensation found in the charter of the Warren bridge, uses this language: 'They (the legislature) provide that the new company shall pay annually to the college, in behalf of the old one, one hundred pounds. By this provision, it appears that the legislature has undertaken to do what a jury of the country only could constitutionally do: assess the amount of compensation to which the complainants are entitled.' "

The language of the Court with reference to the right to take tolls is peculiarly applicable to the case at bar in view of the fact that the orders here in question give to the Treasurer of the United States the full amount of the excess of the contract royalties over the amount which the licensee is authorized to pay to the appellant. It is as follows (pp. 337-338):

"And here it may be noticed that, after taking this property, the government will have the right to exact the same tolls the Navigation Company has been receiving. It would seem strange that if by asserting its right to take the property, the government could strip it largely of its value, destroying all that value which comes from the receipt of tolls, and, having taken the property at this reduced valuation, immediately possess and enjoy all the profits from the collection of the same tolls. In other words, by the contention this element of value exists before and after the taking, and disappears only during the very moment and process of taking. Surely, reasoning which leads to such a result must have some vice, at least the vice of injustice."

And again (p. 343):

"It is also suggested that the government does not take this franchise; that it does not need any authority from the State for the exaction of tolls, if it desires to exact them; that it only appropriates the tangible property, and then either makes the use of it free to all, or exacts such tolls as it sees fit, or transfers the property to a new corporation of its own creation, with such a franchise to take tolls as it chooses to give. But this franchise goes with the property; and the Navigation Company, which owned it, is deprived of it. The government takes it away from the company, whatever use it may make of it; and the question of just compensation is not determined by the value to the government which takes, but the value to the individual from whom the property is taken; and when by the taking of the tangible property the owner is actually deprived of the franchise to collect tolls, just

compensation requires payment, not merely of the value of the tangible property itself, but also of that of the franchise of which he is deprived."

So in the case at bar just compensation requires payment of the value of the royalties of which the appellant is deprived. If this Court had decided no other case than the *Monongahela Navigation Company* case the fallacy of the defense of the Royalty Adjustment Act would be amply demonstrated. But there are many more cases to reinforce the conclusion.

In *United States v. Rogers*, 255 U. S. 163, it was argued that there was error in awarding the owners of appropriated lands interest on their value from the time of actual taking until conpensation was made, because the United States cannot, in the absence of a statute to that end, be subjected to the payment of interest. The Court, however, held, in an opinion by Mr. Justice Day, that the allowance of just compensation involved the giving of interest.

Seaboard Air Line Ry. Co. v. United States, 261 U. S. 299, is to a like effect. It arose under a war statute. The Court said by Mr. Justice Butler (p. 304):

"Section 10 of the Lever Act authorizes the taking of property for the public use on payment of just compensation. There is no provision in respect of interest. Just compensation is provided for by the Constitution and the right to it cannot be taken away by statute. Its ascertainment is a judicial function. *Monongahela Navigation Co. v. United States*, 148 U. S. 312, 327.

"The compensation to which the owner is entitled is the full and perfect equivalent of the property taken. *Monongahela Navigation Co. v. United*

States, 148 U. S. 312, 327. It rests on equitable principles and it means substantially that the owner shall be put in as good position pecuniarily as he would have been if his property had not been taken. *United States v. Rogers,* (C.C.A., Eighth Circuit), 257 Fed. 397, 400. He is entitled to the damages inflicted by the taking. *Northern Pacific Ry. Co. v. North American Telegraph Co.* (C.C.A., Eighth Circuit), 230 Fed. 347, 352, and cases there cited."

In the case at bar, if the appellant is to be put in as good condition pecuniarily as he would have been if his property had not been taken, he must have the full royalties to which his contract entitles him.

Omnia Commercial Co. v. United States, 261 U. S. 502, has been relied on by the Government as supporting the Royalty Adjustment Act and the orders here involved. In that case the appellant, by contract, acquired the right to purchase steel plate from a steel company at a price under the market. The Government requisitioned the company's entire production of steel plate. Appellant brought an action in the Court of Claims, alleging that the performance of the contract had been rendered unlawful and impossible and the effect was to take for the public use appellant's right to the steel plate expected to be produced by the steel company. To this petition a demurrer was sustained and the judgment was affirmed by this Court. The Court, however, in its opinion clearly differentiated the case from the one at bar, where it is the contention of the Government that the property of the patentee has been taken for public use, saying by Mr. Justice Sutherland (pp. 510-511):

"If, under any power, a contract or other property is *taken* for public use, the Government is liable; but if injured or destroyed by lawful action, without a taking, the Government is not liable. What was here requisitioned was the future product of the Steel Company, and, since this product in the absence of governmental interference would have been delivered in fulfillment of the contract, the contention seems to be that the contract was so far identified with it that the taking of the former, *ipso facto*, took the latter. This, however, is to confound the contract with its subject-matter. The essence of every executory contract is the obligation which the law imposes upon the parties to perform it. 'It (the contract) may be defined to be a transaction between two or more persons, in which each party comes under an obligation to the other, and each reciprocally acquires a right to whatever is promised by the other.' *Dartmouth College v. Woodward*, 4 Wheat. 629, 656. Plainly, here there was no acquisition of the obligation or the right to enforce it. If the Steel Company had failed to comply with the requisition, what would have been the remedy? Not enforcement of the contract but enforcement of the statute. If the Government had failed to pay for what it got what would have been the right of the Steel Company? Not to the price fixed by the contract but to the just compensation guaranteed by the Constitution.

"In exercising the power to requisition, the Government dealt only with the Steel Company, which company thereupon became liable to deliver its product to the Government, by virtue of the statute and in response to the order. As a result of this

lawful governmental action the performance of the contract was rendered impossible. It was not appropriated but ended."

Brooks-Scanlon Corp. v. United States, 265 U. S. 106, in our opinion, squarely rules the question under the just compensation clause involved in the case at bar. The Emergency Fleet Corporation served on a shipbuilder its order requisitioning all of the ships under construction in the builder's shipyard and the materials necessary for their completion. The order required the builder to complete the ships. It stated that compensation would be paid for "ships, materials and contracts requisitioned." The Government (just as in the case at bar) contended that it had not requisitioned the claimant's contract by which the shipbuilder had agreed to construct one of the ships requisitioned, but the Court held that this contract and the claimant's rights and interests thereunder were expropriated, quoting with approval the dissenting opinion of the Chief Justice of the Court of Claims (p. 121):

"If the plaintiff had voluntarily assigned its contract with the builder to the Government, and the latter had expressly assumed the unfulfilled obligations and later received the completed vessel, it would not more effectively have acquired plaintiff's contract, its rights, and obligations than actually resulted from what was done in this case. The Government requisitioned the incomplete vessel with the purpose of requiring the completion in accordance with the existing contract; it did require the carrying out of that contract (with slight modification); it took plaintiff's right to have the vessel; it received the vessel and appropriated

plaintiff's partial payments thereon to its own use and benefit."

As to the just compensation, the Court, speaking by Mr. Justice Butler, said (pp. 123-124, 125-126):

"It is the sum which, considering all the circumstances—uncertainties of the war and the rest—probably could have been obtained for an assignment of the contract and claimant's rights thereunder; that is, the sum that would in all probability result from fair negotiations between an owner who is willing to sell and a purchaser who desires to buy.

* * * * * * *

"* * * Determination of just compensation is to be based on the fact that claimant's contract and its rights and interest thereunder were expropriated, and that it is entitled to have their value at the time of the taking. The value of such ships at the time of requisition, and the then probable value at the time fixed for delivery, the contract price, the payments made and to be made, the time to elapse before completion and delivery, the possibility that by reason of the Government's action in control of materials, etc., the contractor might not be able to complete the ship at the date fixed for performance, the loss of use of money to be sustained, the amount of other expenditures to be made between the time of requisition and delivery, together with other pertinent facts, are to be taken into account and given proper weight to determine the amount claimant lost by the taking (*Minnesota Rate Cases, supra*, 451; *United States v. Chandler-Dunbar Co.*, 229 U. S. 53, 76; *Boston Chamber of Commerce v. Boston*, 217 U. S. 189, 195; *Monon-*

gahela Navigation Co. v. United States, supra, 343), that is, the sum which will put it in as good a position pecuniarily as it would have been in if its property had not been taken. *United States v. New River Collieries Co., supra,* 343; *Seaboard Air Line Ry. Co. v. United States, supra,* 305."

In *Russian Volunteer Fleet v. United States,* 282 U. S. 481, the Court, in an opinion by Mr. Chief Justice Hughes, made a similar ruling in another suit to recover just compensation for the requisitioning by the Emergency Fleet Corporation of contracts for the construction of two vessels.

Jacobs v. United States, 290 U. S. 13, is another case in which the judgment of the court below was reversed for failure to allow interest in a suit under the Tucker Act. The Court said, in an opinion by Mr. Chief Justice Hughes (pp. 16-17):

"The amount recoverable was just compensation, not inadequate compensation. The concept of just compensation is comprehensive and includes all elements, 'and no specific command to include interest is necessary when interest or its equivalent is a part of such compensation.' The owner is not limited to the value of the property at the time of the taking; 'he is entitled to such addition as will produce the full equivalent of that value paid contemporaneously with the taking.' Interest at a proper rate 'is a good measure by which to ascertain the amount so to be added.' *Seaboard Air Line R. Co. v. United States,* 261 U. S. 299, 306. That suit was brought by the owner under § 10 of the Lever Act, which, in authorizing the President to requisition property for public use and to pay just

compensation, said nothing as to interest. But the Court held that the right to just compensation could not be taken away by statute or be qualified by the omission of a provision for interest where such an allowance was appropriate in order to make the compensation adequate."

The latest case on the subject of just compensation in this Court is *United States v. Miller,* 317 U. S. 369, in which the Court last year, in a unanimous opinion by Mr. Justice Roberts, summed up the effect of the cases as follows (pp. 373-374):

"The Fifth Amendment of the Constitution provides that private property shall not be taken for public use without just compensation. Such compensation means the full and perfect equivalent in money of the property taken. The owner is to be put in as good position pecuniarily as he would have occupied if his property had not been taken.

"It is conceivable that an owner's indemnity should be measured in various ways depending upon the circumstances of each case and that no general formula should be used for the purpose. In an effort, however, to find some practical standard, the courts early adopted, and have retained, the concept of market value. The owner has been said to be entitled to the 'value,' the 'market value,' and the 'fair market value' of what is taken. The term 'fair' hardly adds anything to the phrase 'market value,' which denotes what 'it fairly may be believed that a purchaser in fair market conditions would have given,' or, more concisely, 'market value fairly determined'."

See also *United States v. Chandler-Dunbar Co.*, 229 U. S. 53; *United States v. New River Collieries Co.*, 262 U. S. 341; *Davis v. Newton Coal Co.*, 267 U. S. 292; *Liggett & Myers Tobacco Co. v. United States*, 274 U. S. 215; *Phelps v. United States*, 274 U. S. 341; *Richmond Screw Anchor Co. v. United States*, 275 U. S. 331; *Olson v. United States*, 292 U. S. 246; *Great Northern Ry. Co. v. Weeks*, 297 U. S. 135; *Baltimore & Ohio R. R. Co. v. United States*, 298 U. S. 349, 365; *United States v. Klamath & Moadoc Tribes*, 304 U. S. 119.

In view of the great body of authority requiring that the full and perfect equivalent in money of the property taken for public use must be provided under the Fifth Amendment, so as to put the owner in as good position pecuniarily as he would have occupied if his property had not been taken; how can the Royalty Adjustment Act be justified?

The Act has been held constitutional in an opinion of the Circuit Court of Appeals for the Third Circuit by Judge Goodrich in *Timken-Detroit Axle Co. v. Alma Motor Co.*, 144 F. (2d) 714. The learned judge said (p. 719):

> "The provision for recovery of compensation against the United States through suit in the Court of Claims is sufficient compliance with the constitutional provision for just compensation. Crozier v. Krupp, 224 U. S. 290 (1911); Identification Devices v. United States, 121 F. (2d) 895 (App. D. C. 1941), cert. den. 314 U. S. 615 (1941), 314 U. S. 587 (1942), reh. den. 314 U. S. 710, 714 (1941), 315 U. S. 779 (1942); Pierce v. Submarine Signal Co., 25 F. Supp. 862 (D. C. Mass. 1939)."

It is unnecessary to discuss each of the cases cited by the learned judge, since the two cases in the lower courts add nothing to the decision of this Court in *Crozier v. Fried. Krupp Aktiengesellschaft,* 224 U. S. 290. In that case the Court held that a patentee had no right to enjoin an officer of the United States from using devices employing the inventions covered by his letters patent, because the Act of June 25, 1910, 36 Stat. 851, 35 USCA § 68, provided that "whenever an invention described in and covered by a patent of the United States 'shall hereafter be used by the United States without license of the owner thereof or lawful right to use the same, such owner may recover reasonable compensation for such use by suit in the Court of Claims' " (p. 304). It is to be noted, however, that that Act provided for the recovery of "reasonable compensation" and, as amended by the Act of July 1, 1918, provided "for the recovery of his reasonable and entire compensation for such use and manufacture." How different is this language, calling for the recovery of reasonable and entire compensation, from that employed in the Royalty Adjustment Act, which, in lieu of the royalty contracted for, provides only for "fair and just compensation to the licensor * * *, taking into account the conditions of wartime production." By this Act the licensor is to be given the amount which might be just compensation if no contract right of his were taken; but the United States merely used an invention without the right to do so and Congress waived the immunity of the United States from suit for infringement. But when the contract right of a patentee to receive royalties is taken, he is entitled to the value of that right, under all the cases decided in the forty years which elapsed between the opinion of Mr. Justice Brewer in *Monongahela*

Navigation Co. v. United States and the opinion of Mr. Justice Roberts in *United States v. Miller* last year.

Comment has been made on the fact that both the Act of 1910 and the Royalty Adjustment Act of 1942 allow the United States the defenses that might be pleaded in an action for infringement or otherwise. Such defenses are appropriate in case the Government or a contractor for it uses an invention without license, which it claims to be unpatentable. Such defenses are inappropriate when the United States takes, as in the case at bar, the contract right of the licensor to receive royalties. A licensee may not dispute the validity of the patent in a suit for royalties. *Walker on Patents,* Deller's ed., vol. 2, § 383; *Kinsman v. Parkhurst,* 18 How. 289; *Eureka Co. v. Bailey Co.,* 11 Wall. 488; *United States v. Harvey Steel Co.,* 196 U. S. 310. To award just compensation for the taking of a contract right to royalties the United States must pay the sum which "probably could have been obtained for an assignment of the contract" (*Brooks-Scanlon Corp. v. United States,* at 265 U. S. 123-124), and parties negotiating for such an assignment, of course, would take into account the estoppel of the licensee from disputing the validity of the patent.

Richmond Screw Anchor Co. v. United States, 275 U. S. 331, was a suit brought under the Act of 1919, as amended in 1918, to recover from the United States for the use of a patented article unauthorized by the patent owner. The plaintiff was the assignee of the patent and the claims for infringement. The Court of Claims dismissed the petition for the reason that the assignment of the claims for infringement was void under the section of the Revised Statutes forbidding assignment of

claims against the United States. Its judgment was reversed by this Court, which said, in an opinion by Mr. Chief Justice Taft (p. 345):

> "We must presume that Congress in the passage of the Act of 1918 intended to secure to the owner of the patent the exact equivalent of what it was taking away from him. It was taking away his assignable claims against the contractor for the latter's infringement of his patent. The assignability of such claims was an important element in their value and a matter to be taken into account in providing for their just equivalent."

To this we may add that the fact that the claim of a patentee against his licensee is not subject to the defense of invalidity of the patent is an important element in its value and a matter to be taken into account in providing for its just equivalent. The Royalty Adjustment Act, in prohibiting its being taken into account, violates the just compensation clause of the Fifth Amendment.

Judge Goodrich, in his opinion in the *Timken-Detroit Axle Co.* case, at 144 F. (2d) 716, refers to the fact that under the Act of 1910, as amended, when a patented invention is used or manufactured by or for the United States without license, a patent could be infringed "free from threat of injunction * * *, leaving the amount to be paid to the patentee to be adjusted by suit in the Court of Claims." But in the case at bar the United States did not choose to infringe the patent. It did not choose to use the invention at all. It chose merely to contract with the appellant's licensee, and in so doing it chose to say that the payment for the use of the invention shall be made in part to it and not wholly to the person entitled to the payment under the license con-

tract. We are dealing here solely with the taking of a contract right.

Let it not be supposed that the distinction made in the preceding paragraph is one without a difference. An analogy derived from two suppositious statutes will make the difference clear. A lawyer, like a patentee, may have something of use to the United States in the emergency, not property; like the right of the patentee, but the ability to perform services. Congress could authorize him to be drafted to perform the services for the Army or the Navy. The drafting of the lawyer, like the appropriating of the use of the invention, would clearly be legal, and the lawyer would not have to be compensated, for no *property* would be taken for public use. But suppose that the United States determines that the lawyer, by his services to his clients, for which he has contracts entitling him to compensation, is doing his part toward the winning of the war without being drafted, and Congress authorizes the head of a department or agency to determine what compensation would be fair and just for his services, taking into account wartime conditions, and to order that the excess of his contractual compensation over that so determined shall be paid to the United States. If the lawyer's contracts for such compensation were made in 1932, the tax upon him would parallel the exaction upon the appellant in the case at bar; and we submit that the taking of his compensation in excess of $50,000 per annum (or, let us say, $10,000 per annum, since a lawyer's services are hardly likely to be valued so highly as an inventor's) would deprive him of property without due process of law and take private property without just compensation. It would be no argument to say that he

might be drafted to serve without compensation, because the just compensation clause does not provide for compensation for services, but does provide compensation for property.

In Judge Goodrich's opinion a number of cases are cited which refer to the exercise of the war power, the commerce power, or other regulatory power of Congress over contracts, and the conclusion is stated (144 F. (2d) 719):

> "If individual contract rights may be interfered with in pursuance of regulatory power exercised on behalf of the general public it is even clearer that such rights are subordinate to the public interest when compensation is given the individual for such interference."

We do not imply that the learned judge supposes that the contract rights may be appropriated without just compensation. The argument, however, on behalf of the Government in the court below in the case at bar seemed to rely on these cases of regulation reducing the value of contract rights as if they justified without more the orders made under the Royalty Adjustment Act. This of course is incorrect, as is shown by one of the cases cited by Judge Goodrich and also by the Government in its brief in the court below: *Louisville and Nashville R. R. Co. v. Mottley*, 219 U. S. 467. In that case a railroad company, in consideration of a release from a claim for damages for injuries, had agreed to issue free passes to the injured person annually during his life. The Court held that after the passage of the Interstate Commerce Act the agreement was unenforcible. In so holding, however, it clearly differentiated between an act regulating commerce and an act taking private property for

public use. Mr. Justice Harlan, who delivered the opinion of the Court, said (p. 484):

> "It is not determinative of the present question that the commerce act as now construed will render the contract of no value for the purposes for which it was made. In *Knox v. Lee,* 12 Wall. 457, above cited, the court, referring to the Fifth Amendment, which forbids the taking of private property for public use without just compensation or due process of law, said: 'That provision has always been understood as referring only to a direct appropriation, and not to consequential injuries resulting from the exercise of lawful power. It has never been supposed to have any bearing upon or to inhibit laws that indirectly work harm and loss to individual. A new tariff, an embargo, a draft, or a war, may inevitably bring upon individuals great losses; may, indeed, render valuable property almost valueless. They may destroy the worth of contracts.'"

It is unnecessary, in view of the express provision in the Constitution for just compensation for the taking of private property, to argue that such compensation must be made for the taking of a contract right, even though the worth of the contract might be destroyed by legislation not involving a taking. It would be easy, however, if it were necessary, to justify the distinction which the framers of the Constitution made between legislation authorizing the taking of property and legislation merely regulating the use of property. The Government, as *parens patriae,* passing on the question whether the interest of the people calls for a regulation even at the expense of the invalidating of contract rights, is not subject to the temptation to which it

would be subject if it could take for its own benefit contract rights without paying the full and perfect equivalent in money of the rights so taken. In the one case the Government is disinterested; in the other case it is an interested party.

Conclusion.

We maintain, therefore, that the Royalty Adjustment Act and the orders made thereunder with regard to the royalties payable to the appellant are unconstitutional in that they deprive him of property without due process of law and take private property without just compensation, because

(a) they cannot be justified as an exercise of the taxing power, since as such they are arbitrary and capricious;

(b) they cannot be justified as an exercise of the power of eminent domain, since that power cannot be used to raise revenue but only to take property which is needed for use; and

(c) if they are justified as an exercise of the power of eminent domain, they are invalid for failure to secure to the appellant just compensation for what is taken from him.

We submit that the District Court for the District of New Jersey erred in ordering that the plaintiff's complaint be dismissed, and that the District Court for the Western District of Pennsylvania erred in ordering that the appellant's motion for an injunction be denied and that the paragraphs of the complaint relating to the question as to the constitutionality of the Royalty Adjustment Act be dismissed.

We submit further that the Court should direct the courts below to grant injunctions in accordance with the demands for relief in the complaints, restraining the defendants from complying with the terms of Royalty Adjustment Orders Nos. W-9 and N-7, and especially from paying over to the Treasurer of the United States any of the royalties specified in the license agreement between the plaintiff and the defendant Federal Laboratories, Inc., dated December 8, 1932.

Respectfully submitted,

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APPENDIX.

[PUBLIC LAW 768—77TH CONGRESS]
[CHAPTER 634—2D SESSION.] 56 STAT. 1013

An Act

To provide for adjusting royalties for the use of inventions for the benefit of the United States, in aid of the prosecution of the war, and for other purposes.

Be in enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, to aid in the successful prosecution of the War, whenever an invention, whether patented or unpatented, shall be manufactured, used, sold, or otherwise disposed of for the United States, with license from the owner thereof or anyone having the right to grant licenses thereunder, and such license includes provisions for the payment of royalties the rates or amounts of which are believed to be unreasonable or excessive by the head of the department or agency of the Government which has ordered such manufacture, use, sale, or other disposition, the head of the department or agency of the Government concerned shall give written notice of such fact to the licensor and to the licensee. Within a reasonable time after the effective date of said notice, in no event less than ten days, the head of the department or agency of the Government concerned, shall by order fix and specify such rates or amounts of royalties, if any, as he shall determine are fair and just, taking into account the conditions of wartime production, and shall authorize the payment thereof by the licensee to the licensor on account of such manufacture, use, sale, or other disposition: *Provided, however,* That the licensee or licensor, if he so requests within ten days from and after the

effective date of said notice, may within thirty days from the date of such request present in writing or in person any facts or circumstances which may, in his opinion, have a bearing upon the rates or amounts of royalties, if any, to be determined, fixed and specified as aforesaid, and any order fixing and specifying the rates and amounts of royalties shall be issued within a reasonable time after such presentation. Such licensee shall not after the effective date of said notice pay to the licensor, nor charge directly or indirectly to the United States a royalty, if any, in excess of that specified in said order on account of such manufacture, use, sale, or other disposition. The licensor shall not have any remedy by way of suit, set-off, or other legal action against the licensee for the payment of any additional royalty remaining unpaid, or damages for breach of contract or otherwise, but such licensor's sole and exclusive remedy, except as to the recovery, of royalties fixed in said order shall be as provided in section 2 hereof. Written notice as provided herein shall be mailed to the last known address of the licensor and licensee and shall be effective upon receipt or five days after the mailing thereof, whichever date is the earlier.

SEC. 2. Any licensor aggrieved by any order issued pursuant to section 1 hereof, fixing and specifying the maximum rates or amounts of royalties under a license issued by him, may institute suit against the United States in the Court of Claims, or in the District Courts of the United States insofar as such courts may have concurrent jurisdiction with the Court of Claims, to recover such sum, if any, as, when added to the royalties fixed and specified in such order, shall constitute fair and just compensation to the licensor for the manufacture, use, sale, or other disposition of the licensed in-

vention for the United States, taking into account the conditions of wartime production. In any such suit the United States may avail itself of any and all defenses, general or special, that might be pleaded by a defendant in an action for infringement as set forth in title sixty of the Revised Statutes, or otherwise.

SEC. 3. The head of any department or agency of the Government which has ordered the manufacture, use, sale, or other disposition of an invention, whether patented or unpatented, and whether or not an order has been issued in connection therewith pursuant to section 1 hereof, is authorized and empowered to enter into an agreement, before suit against the United States has been instituted, with the owner or licensor of such invention, in full settlement and compromise of any claim against the United States accruing to such owner or licensor under the provisions of this Act or any other law by reason of such manufacture, use, sale, or other disposition, and for compensation to be paid such owner or licensor based upon future manufacture, use, sale, or other disposition of said invention.

SEC. 4. Whenever a reduction in the rates or amounts of royalties is effected by order, pursuant to section 1 hereof, or by compromise or settlement, pursuant to section 3 hereof, such reduction shall inure to the benefit of the Government by way of a corresponding reduction in the contract price to be paid directly or indirectly for such manufacture, use, sale, or other disposition of such invention, or by way of refund if already paid to the licensee.

SEC. 5. The head of the department or agency of the Government concerned is further authorized, in his discretion and under such rules and regulations as he

may prescribe, to delegate and provide for the delegation of any power and authority conferred by this Act to such qualified and responsible officers, boards, agents, or persons as he may designate or appoint.

SEC. 6. For the purposes of this Act, the manufacture, use, sale, or other disposition of an invention, whether patented or unpatented, by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government shall be construed as manufacture, use, sale, or other disposition for the United States and for the purposes of the Act of June 25, 1910, as amended (40 Stat. 705; 35 U. S. C. 68), the use or manufacture of an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States.

SEC. 7. This Act shall apply to all royalties directly or indirectly charged or chargeable to the United States for any supplies, equipment, or materials to be delivered to or for the Government from and after the effective date of the notice provided for in section 1 hereof. This Act shall also apply to all royalties charged or chargeable directly or indirectly to the United States for supplies, equipment, or materials already delivered to or for the Government which royalties have not been paid to the licensor prior to the effective date of the notice provided for in section 1 hereof. Sections 1 and 2 of this Act shall remain in force only during the continuance of the present war and for six months after the termination thereof, except that as to rights accrued

or liabilities incurred prior to termination thereof, the provisions of this Act shall be treated as remaining in force and effect for the purpose of settling, sustaining, qualifying, or defeating any suit or claim hereunder.

SEC. 8. The head of each department or agency of the Government may issue such rules and regulations and require such information as may be necessary and proper to carry out the provisions of this Act. The provisions of section 10 (1) of an Act approved July 2, 1926 (44 Stat. 787), as amended, and title XIII of Public Law 507, Seventy-seventh Congress, shall be applicable to the owner, licensor, or licensee of an invention, whether patented or unpatented, manufactured, used, sold, or otherwise disposed of for the United States, and the term "defense contract" as used in said Act shall mean and include an agreement for the payment of royalty, regardless of the date of such agreement, under or by virtue of which royalty is directly or indirectly paid by the Government or included within the contract price for property sold to or manufactured for the Government.

SEC. 9. Nothing herein contained shall be deemed to preclude the applicability of Section 403 of Public Law 528, Seventy-seventh Congress, as the same may be heretofore or hereafter amended so far as the same may be applicable.

SEC. 10. If any provision of this Act or the application of any provision to any person or circumstance shall be held invalid, or if any provision of this Act shall be inoperative by its terms, the validity or applicability of the remainder of the Act shall not be affected thereby.

Approved, October 31, 1942.

(U. S. Code Title 35—Secs. 89-96.)